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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

ORACLE AMERICA, INC.,

Plaintiff,

v.

GOOGLE INC.,

Defendant.

Case No. 3:10-cv-03561-WHA

**GOOGLE'S REPLY TO ORACLE'S
RESPONSE TO THE COURT'S
JANUARY 9, 2012 ORDER ON GOOGLE
MOTION *IN LIMINE* NO. 3**

Dept.: Courtroom 8, 19th Floor
Judge: Hon. William Alsup

1 The Court is now dealing with the issue whether to give Oracle a third chance at serving
 2 a viable, legally compliant damages expert report because Oracle has twice served overreaching
 3 damages reports that ignored governing law. Even worse, Oracle's second try at a damages
 4 report ignored the unambiguous instructions in the Court's July 22, 2011 Order. The Court
 5 ordered Oracle to serve a second report that (1) apportioned the intellectual property at issue in
 6 the 2006 negotiations between "the asserted claims" and "the rest of the Java platform," July 22,
 7 2011 Order [Dkt. No. 230] at 5-6; and (2) was based on "claim-by-claim analysis." *Id.* at 7.
 8 Oracle's second report did neither of these things. Nowhere in the many briefs filed on this issue
 9 has Oracle ever explained why it ignored these clear instructions.

10 More disturbingly, Oracle's response goes even further—implying that, if the Court gives
 11 it a third try, it will yet again ignore the Court's explicit rulings and shoot for the moon using the
 12 same, repeatedly rejected analysis. Oracle pays lip service to the Court's rulings, but makes
 13 clear it rejects the premises of those decisions, insisting that "its damages claims and analyses are
 14 reasonable and correct in light of the evidence, and are consistent with the Supreme Court and
 15 Federal Circuit precedents on the issues of apportionment, claim-by-claim analysis, and
 16 calculation of future royalties." Oracle Resp. [Dkt. No. 698] at 2. It criticizes the Court for
 17 "tak[ing] an unduly strict and improperly narrow approach to the analysis of damages in this
 18 case." *Id.* Although it "regrets that the Court has formed [the] view" that Oracle has improperly
 19 inflated its damages, it "does not withdraw Prof. Cockburn's previous reports ... because it
 20 believes it would be improper to do so under the statutory and decisional law." *Id.* at 5. These
 21 statements confirm that a third report would again ignore the law and the Court's rulings.

22 In fact, in its latest brief Oracle appears to backtrack to an overbroad concept of damages
 23 based on Google's use of the public-domain *Java programming language*, contending that:

24 The copyrighted APIs are essential, Google concedes, once a decision has
 25 been made to use *the Java programming language*. Prof. Cockburn's
 26 September report extensively documents the evidence from 2005 and 2006
 27 that shows that Google believed that the *Java programming language*
 28 provided unique benefits to a smartphone platform, in terms of an
 established developer community, familiarity, and the demands of wireless
 operators, such that *Java was the only language* that Google seriously
 considered and the language that Google decided was superior to all
 others.

Oracle Resp. [Dkt. No. 698] at 12 (emphases added). This case is not about the value of the Java language. Oracle has conceded repeatedly in open court that anyone is free to use the language. (Indeed, Oracle’s response concedes that the APIs on which its copyright claim is based are an essential part of the language and accordingly should be freely usable by anyone.) This is the same tack taken by Oracle in its *original* May 2011 damages report, in which it purported to calculate damages based on the value of “Java,” rather than the asserted inventions. The Court emphatically rejected that effort. *See* July 22, 2011 Order [Dkt. No. 230] at 5.

With respect to the Court’s instruction that Oracle undertake a claim-by-claim analysis of damages, Oracle does not even pretend it would follow the Court’s direction in a third report. Instead, it insists that “[i]t would be inappropriate to apportion among the claims, because the value of every claim is identical and duplicative, not cumulative or overlapping.” Oracle Resp. at 16. This is the same argument that Oracle has already made repeatedly, *see* Oracle Opp. to Google MIL No. 3 [Dkt. No. 494-1] at 16-17; Oracle Supp. Br. [Dkt. No. 572] at 15-17, and this Court rejected. *See* Jan. 9, 2012 Order [Dkt. No. 685] at 9-10. If this is so, one is left to wonder why Oracle is still asserting 26 separate patent claims. In any event, given Oracle’s fundamental refusal to accept the Court’s repeated prior rulings, a third report would be an exercise in futility.

A. Courts do not routinely grant experts *third* chances to offer viable damages reports.

Oracle cites two cases in which courts have given experts leave to submit revised reports, *see In re Ephedra Products Liab. Litig.*, 04 M.D. 1598, 2007 WL 4643885 (S.D.N.Y. Apr. 3, 2007); *Kroger v. Legalbill.com LLC*, CIV A 04-2189 ESH, 2007 WL 4730719 (D.D.C. Feb. 5, 2007), but neither of those cases involved leave to serve a *third* expert report after two previous failures, or where the expert had previously ignored express instructions from the court. Indeed, in one of the two cases, the court allowed a revised report without striking the expert’s previous report at all. *In re Ephedra*, 2007 WL 4643885, at *1. Those cases are inapposite.

Oracle also cites this Court’s decision to allow a third expert report in one case, *Gutierrez v. Wells Fargo & Co.*, C07-05923 WHA, 2010 WL 1233810 (N.D. Cal. Mar. 26, 2010), but that case is nothing like this one factually. There, the Court initially rejected class plaintiffs’ damages report because it failed to calculate damages “on a member-by-member basis.” *Id.* at

*2. The Court substantially upheld the second report, but struck minor aspects of that report for reasons having nothing to do with the exclusion of the first report. *Id.* at *12. The Court gave plaintiffs the chance to fix the limited flaws with the second report, but they had not done what Oracle did here: ignoring the Court’s identification of errors and express instructions in the order striking its first report, and willfully repeating those same errors in the second report. Moreover, Dr. Cockburn’s stricken apportionment analysis was not a minor component of his report; it was the starting point and fundamental basis of his entire patent and copyright royalty analysis.

B. None of Oracle’s three proposed methods for Dr. Cockburn are acceptable.

Oracle suggests three “new” methods that Dr. Cockburn could employ, but all three have already been rejected by this Court in its prior rulings.

First, Oracle’s “Method 1” purports to be a grudging agreement, “with concerns,” to use the framework in the Court’s January 9, 2012 Order. Oracle Resp. [Dkt. 698] at 10. But Oracle offers only the briefest explanation of how Dr. Cockburn would identify and value the components of Sun’s \$100 million demand—and, at deposition, Dr. Cockburn admitted having no idea what those components even were. Further, even Oracle’s sketchy explanation reveals that it is still planning to conflate the lesser value of the asserted inventions (which Dr. Cockburn is obligated to value) with the greater value of “features and technical specifications of Android,” *id.*, just as it did in its rejected second report. Google and Sun were not negotiating over Android’s “features.” They were negotiating for a partnership that would have given Google the right to inventions that could be used, along with Google’s IP and hard work, to enable features.

Second, Oracle’s “Method 2” is an even worse iteration of the same bad idea—proposing to allow Dr. Cockburn to calculate the value of certain Android features to Google, then ascribe some or all of the value of those features to the asserted inventions, without any further analysis. Again, this compares apples and oranges. The claimed inventions are not equivalent to Android’s processing speed, which is the complex result of myriad pieces of intellectual property, including hardware, Google’s source code, and other components of the Dalvik virtual machine which are not alleged to infringe, as well as other licensed or open-source technology, including the Linux kernel. Oracle suggests that Dr. Cockburn’s “analysis” would amount to a

1 subjective judgment about what represents the “substantial fraction” of the Android feature that
 2 is enabled by the claimed inventions.

3 This approach is not grounded in economics. It ignores the Court’s mandate that “a fair
 4 apportionment of the \$100 million as between the *technology in suit* and the *remainder of the*
 5 *technology then offered* must be made.” Jan. 9, 2012 Order [Dkt. No. 685] at 8 (emphases
 6 added). And, contrary to Oracle’s argument, *Finjan, Inc. v. Secure Computing Corp.*, 626 F.3d
 7 1197 (Fed. Cir. 2010), offers no support for a damages analysis that conflates the value of
 8 features of an accused product with the value of an invention. There, the defendant challenged a
 9 royalty award by arguing about the sufficiency of evidence under several of the *Georgia-Pacific*
 10 factors. The language Oracle cites is from the court’s brief discussion of *Georgia-Pacific* factor
 11 13, where it ruled that the expert’s opinion that the patented inventions were “fundamentally
 12 important to the product” was probative under factor 13. *Id.* at 1211. But that was just one of 15
 13 non-exclusive factors bearing on a royalty calculation, one input in a more sophisticated analysis.
 14 Neither the *Finjan* court, nor any other Google is aware of, has ever suggested, much less held,
 15 that a plaintiff could arbitrarily assign part or all of the value of a given product feature to an
 16 invention based on purported “importance.”

17 *Third*, Oracle’s “Method 3” is exactly the same approach Oracle proposed in its January
 18 5, 2012 response to the Court’s December 27, 2011 Order. [Dkt. No. 682] The Court did not
 19 adopt the proposed approach discussed in the December 27, 2011 Order, and rejected the logic of
 20 Method 3 in its January 9, 2012 Order. The Court was right to reject it. Just as Google has
 21 previously explained in its Response to the Court’s December 27, 2011 Request [Dkt No. 681],
 22 “Method 3” improperly substitutes the *2011 value* of Android and *its features* for the value
 23 negotiators hypothetically would have placed on the *claimed inventions* in *2006*. Federal Circuit
 24 case law requires that a patent royalty be determined based on the parties’ “sales expectations at
 25 the time when infringement begins ... as opposed to an after-the-fact counting of actual sales.”
 26 *Interactive Pictures Corp. v. Infinite Pictures, Inc.*, 274 F.3d 1371, 1373 (Fed. Cir. 2001). The
 27 facts of this case show that in 2006 it was uncertain whether Android would be successful at all.
 28 But even more distressingly, despite repeated statements from the Court, *see, e.g.*, Dec. 27, 2011

Request [Dkt. No. 657] at 2 (“The value of a feature must be apportioned among all of the know-how inputs that enabled it.”), Oracle continues to insist that Google’s work in allegedly turning the inventions at issue into Android features was worth nothing. Oracle Resp. [Dkt. 698] at 15. First Oracle claims it has already isolated Oracle’s contribution by measuring the “incremental benefit” of the claimed inventions to Android, even though it has never accounted for Google’s work in allegedly implementing those inventions. Oracle criticizes Google’s experts for failing to value Google’s contribution to the relevant features, but that valuation was Oracle’s burden. Finally, without explaining how, Oracle asserts that, “to the extent” Google contributed anything, “Prof. Cockburn would account for the value” of Google’s work. *Id.* The Court has heard this song before. It is clear that Oracle plans to yet again ignore the law and this Court’s orders.

C. Response to Oracle’s unsolicited trial plan comments.

Finally, with respect to Oracle’s extensive discussion of potential alternative trial plans, those same issues were briefed by the parties and decided by the Court just last week, and the Court did not ask the parties for further comment on those issues. But Oracle’s belated claims of irreparable harm are fictional. Oracle waited nearly three years after Android’s public announcement in 2007 and nearly two years after the release of the first Android phone in 2008 even to file suit. In the nearly 18 months since filing suit, it has never sought a preliminary injunction. Even its own damages expert has expressed the opinion that any future harm to Oracle could be compensated with money damages, and the Court established a protocol in its January 9, 2012 Order for such a calculation. Jan. 9, 2012 Order [Dkt. No. 685] at 11. Second, to the extent Oracle justifies its various trial plans on the grounds that they would permit Dr. Cockburn to draft a third report, there is no justification for permitting a third report, as set forth above. In any event, Oracle concedes it is perfectly capable of presenting a damages case even without a further report from Dr. Cockburn. Oracle Resp. [Dkt. 698] at 4-5.

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